

Message Text

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ACTION EB-07

INFO OCT-01 AF-10 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-02 EPG-02 AID-05 SS-15
STR-04 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01
FEA-01 OIC-02 IO-13 ARA-10 EA-09 EUR-12 NEA-10
/151 W

-----190032Z 059878 /72

R 181102Z MAY 77

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 3646

UNCLAS KINSHASA 4706

E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: RESTRICTION OF COFFEE SALES

REF: A) STATE 111015, B) KINSHASA 4476

1. ZAIRIAN GOVERNMENT POLICY OVER PAST TWO YEARS HAS BEEN TO INCREASE COFFEE EXPORTS BY LIBERALIZING THE COFFEE EXPORT REGIME AND BY INCREASING PRODUCER PRICES. ZAIRIAN COFFEE EXPORTS IN 1976 EXCEEDED 107,000 TONS, FAR ABOVE THE USUAL LEVEL OF ABOUT 80,000-85,000 TONS. THIS INCREASE WAS APPARENTLY DUE TO THE LIQUIDATION OF DOMESTICALLY HELD STOCKS AND PERHAPS A SLIGHT INCREASE IN PRODUCTION AND A SLIGHT DECREASE IN LOCAL CONSUMPTION. WE DO NOT EXPECT ZAIRE TO SWITCH TO A POLICY OF SUPPLY RESTRICTION SO LONG AS WINDFALL PROFITS ARE TO BE MADE. SOME NATIONAL COFFEE OFFICE OFFICIALS BELIEVE THAT 1977 COULD REACH 90,000 TONS, NOTWITHSTANDING FACT THAT DOMESTIC STOCKS ARE QUITE LOW.

2. IN OUR MOST RECENT REPORT ON COFFEE (REF B), WE NOTED THAT A CONFLICT OVER CONTROL OF THE COFFEE EXPORT INDUSTRY HAD LED TO A SLOWDOWN IN RATE OF COFFEE EXPORTS IN APRIL. TO RECAP BRIEFLY, THE DEPARTMENT OF AGRICULTURE HAD DESIGNATED THE NATIONAL COFFEE OFFICE

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OFFICE AS SOLE COFFEE EXPORTER, OSTENSIBLY TO REDUCE SMUGGLING AND NON-REPATRIATION OF EXPORT RECEIPTS. THIS DECISION WAS REVERSED AS A RESULT OF PRESSURE FROM PRIVATE EXPORTERS AND GOVERNMENT OFFICIALS WHO BELIEVED THAT THE BEST WAY TO INSURE AN EFFICIENT EXPORT INDUSTRY WAS TO ALLOW COMPETITION AMONG A LARGER NUMBER OF EXPORTERS. RED TAPE REQUIRING NATIONAL COFFEE OFFICE VALIDATION OF EXPORT SHIPMENTS, TOGETHER WITH GENERALIZED UNCERTAINTY AS TO THE

GOVERNMENT'S INTENTIONS WAS APPARENTLY THE CAUSE OF THE SLOWDOWN IN SHIPMENTS. WE WILL NOT HAVE AN ESTIMATE OF MAGNITUDE OF SLOWDOWN UNTIL MONTHLY EXPORT FIGURES BECOME AVAILABLE -- PROBABLY IN A FEW WEEKS.

3. EMBASSY HAS ALREADY POINTED OUT TO ZAIRIAN OFFICIALS IMPORTANCE OF MAXIMIZING EXPORT REVENUES FROM COFFEE AS A PART OF THE GOVERNMENT'S OVERALL EFFORT TO STABILIZE ITS ECONOMY. WE INTEND TO FOLLOW EVOLUTION OF COFFEE EXPORTS CLOSELY AND WILL BE ALERT FOR EVIDENCE THAT ZAIRE IS MOVING TOWARDS A POLICY OF EXPORT RESTRICTION.
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